

BOARD MEETING DATE: May 3, 2013

AGENDA NO. 3

PROPOSAL: Designate Funds and Authorize Payment for Low Emissions
Hearth Product Incentive Voucher Program in Target Areas

SYNOPSIS: The Healthy Hearths™ Initiative was implemented in 2008 to reduce emissions from fireplaces and other wood-burning devices. A successful incentive program was launched that encouraged the public to switch from wood-burning to cleaner, gaseous-fueled devices. Staff is seeking to complement the 2012 AQMP control measures through an enhanced incentive program with focus on key target areas with the poorest PM2.5 air quality and offer a wider range of hearth device options. The program would establish financial incentives based on product emission levels and/or household income levels. This action is to implement the Low Emissions Hearth Product Incentive Voucher Program with an amount not to exceed \$600,000 from the interest from the Rule 1309.1 Priority Reserve Fund. Of that, \$500,000 will be provided for incentives and \$100,000 of previously unused incentive funding will be used for outreach and internal costs to implement the new program.

COMMITTEE: Stationary Source, April 19, 2013; Recommended for Approval

RECOMMENDED ACTIONS:

1. Designate funds and authorize incentive payments up to \$500,000 from the interest earned from the Rule 1309.1 Priority Reserve Fund (36) to implement the Low Emissions Hearth Product Incentive Voucher Program, and
2. Transfer and appropriate \$100,000 from the interest earned from the Rule 1309.1 Priority Reserve Fund (36) to the General Fund, Planning, Rule Development, and Area Sources FY 2013-14 budget, Services and Supplies Major Object

Barry R. Wallerstein, D.Env.
Executive Officer

Background

The Basin exceeds State and federal air quality standards for PM_{2.5}. As a result, the 2012 AQMP included a control measure to reduce PM_{2.5} emissions from residential wood burning sources. Amendments to SCAQMD Rule 445 have been proposed to implement the AQMP control measure through additional curtailment days when elevated PM levels are forecast. During the rule development process staff received numerous public and industry comments on the value of providing financial incentives to encourage the public to switch to cleaner hearth products. Since 2008, the SCAQMD has implemented a program that has resulted in the conversion of nearly 11,000 wood-burning fireplaces to cleaner, gaseous-fueled devices; however, the comments indicated that additional emissions reductions could be achieved by providing the public with a wider range of clean product choices.

SCAQMD staff is recommending a new incentive program (i.e., consumer voucher program) that would provide the public with financial incentives to install low emission hearth products in households with existing wood-burning devices. A voucher program will enable a broader range of products for the consumers. Similar programs have been implemented by the Sacramento Metropolitan Air Quality Management District and San Joaquin Valley Air Pollution Control District. Both programs were found to be effective. Additional manufacturer or retailer incentives can be leveraged with the SCAQMD-provided funds to maximize the public benefit. This revised approach is supported by current participating retailers.

Proposal

Staff proposes to implement a new low emission hearth product voucher incentive program in target areas that would provide customers with a wider range of product options. The current target area is Jurupa Valley and the surrounding area that contains the Mira Loma monitoring station, which is the only current station not in attainment with the federal 24-hour PM_{2.5} standard. Target areas include source receptor air monitoring areas, as described in Attachment 1. Target areas may be expanded depending on program participation and future air quality data.

The incentive includes options to convert fireplaces (with or without gas service) or to change out non-certified wood stoves for cleaner burning devices at residents currently exempt by the rule. Under the program applicants would submit a voucher application. SCAQMD staff would then assess and, if the applicant qualified, approve the application and issue a voucher to the household with a specified expiration date. Consumers could then visit a list of participating retailers and select the product for installation. The participating retailer would then provide the customer with the voucher discount off the price to purchase and install the device. After verification and documentation of installation, the retailer would be reimbursed for the voucher value. Staff will work to develop as broad a retailer participation list as possible, including

installation services. To that end, staff will develop a participating vendor statement of expectations. Any old wood burning device, such as an uncertified wood stove, will be properly disposed of (or recycled) with appropriate documentation.

Attachment 1 provides the incentive discount amounts for the various device options. Additional cleaner wood burning options are available to households without natural gas service or those who use wood as a primary source of heat. Enhanced incentives are available for low-income households. In some cases, 100% of the cost may be covered, but incentive amounts will not exceed the purchase and installation price. The incentive amounts may be modified at a later date in order to maximize program participation.

To fund this program, staff is seeking Board approval to designate \$500,000 from interest earned from the Rule 1309.1 Priority Reserve Funds pursuant to the 2001 amendments. Unused funds (\$100,000) from the current incentive program, which come from the interest earned from the Rule 1309.1 Priority Reserve Funds, will also be allocated for outreach to the public to inform them of the program including newspaper notices and direct mailers. These unused funds will also be used to hire one or two temporary staff for 6 months to assist in the voucher program implementation.

Outreach

Staff will seek to establish a comprehensive list of participating retailers through all feasible forms of media and may include a public notice advertising the opportunity for Basin's retailers to participate in the program published in the Los Angeles Times, the Orange County Register, the San Bernardino Sun, and Riverside County Press Enterprise newspapers to leverage the most cost-effective method of outreach to the entire South Coast Air Basin. Staff will also work with the retailer trade associations for the recruitment of retailers and for program implementation

Additionally, potential retailers may be notified utilizing SCAQMD's own electronic listing of certified minority vendors, the Black and Latino Legislative Caucuses and various minority chambers of commerce and business associations, and placed on the Internet at SCAQMD's Web site (<http://www.aqmd.gov/> where it can be viewed by making menu selections "Inside AQMD"/"Employment and Business Opportunities"/"Business Opportunities". Information will also be available on SCAQMD's bidder's 24-hour telephone message line (909) 396-2724.

Benefits to SCAQMD

The successful implementation of this program will result in a net reduction in pollutant emissions including PM2.5, VOC and CO. This program is also expected to reduce public exposure and further protect public health by a direct decrease in the emission of toxic compounds.

Resource Impacts

The voucher program will be managed in-house. The total cost of the proposed program would not exceed \$500,000. Unused funds from the existing incentive program, up to \$100,000, will be used for extensive outreach in the target areas. Due to the staff time involved in the administration of a voucher program, these unused funds will also be used to hire one or two temporary staff for six months to assist in program implementation. Sufficient funds are available from the interest earned in the Rule 1309.1 Priority Reserve funding.

Attachment

Incentive Matrix

Attachment 1

Wood Burning Device Incentive Matrix

Current Condition: Wood Burning Device with	Device Option	Estimated Purchase and Installed Price	General Target Area Incentive (Est. % of Total Cost)	Enhanced Incentives for Low-Income Households in Target Areas (Est. % of Total Cost)
Gas Service Available	Gas Logs	\$350 – \$500	\$200 (~40 – 57%)	\$400 (~80 – 100%)
	Gas or Electric Stove/Insert	\$400 – \$2,100	\$800 (~38 – 100%)	\$1,600 (~76 – 100%)
	Permanently Installed Alcohol Fueled Device	~\$750	\$300 (~40%)	\$600 (~80%)
No Gas Service Available OR Wood Used as Primary Source of Heat	Gas Logs	\$350 – \$500	\$200 (~40 – 57%)	\$400 (~80 – 100%)
	Gas or Electric Stove/Insert	\$400 – \$2,100	\$800 (~38 – 100%)	\$1,600 (~76 – 100%)
	Certified Wood Stove/Insert (replacing uncertified stove** or open fireplace)	\$3,100 – \$4,300	\$600 (~14 – 19%)	\$1,200 (~28 – 39%)
	Permanently Installed Alcohol Fueled Device	~\$750	\$300 (~13%)	\$600 (~26%)
	EPA Qualified Fireplace Retrofit	\$250 – \$750	\$100 (~13 – 40%)	\$200 (~26 – 80%)

Note: Incentive amount not to exceed purchase & installation price.

Target areas are designated zip codes in source receptor air monitoring areas 22 (Corona/Norco Area), 23 (Metropolitan Riverside), and 33 (Southwest San Bernardino Valley). Also, see Map at www.aqmd.gov/map/MapAQMD2.pdf.

** Add \$250 to incentive amount for destruction of uncertified wood stove device.